



Financial Statements
December 31, 2021

Bismarck Rural Fire District

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Independent Auditor's Report

The Board of Directors
Bismarck Rural Fire District
Bismarck, North Dakota

Report on the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of Bismarck Rural Fire District (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with the modified cash basis of accounting.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting used in the preparation of the financial statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Restatement – Change in Accounting Principle

As discussed in Note 1 and Note 9 to the financial statements, the District changed the method of accounting from modified accrual to modified cash basis. The District has retrospectively restated the previously reported fund balance for the General Fund and net position of the Governmental Activities as of January 1, 2021. Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of employer pension liability and contributions and schedules of employer OPEB liability and contributions are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of employer pension liability and contributions and schedules of employer OPEB liability and contributions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, professional style.

Bismarck, North Dakota
August 23, 2022

Bismarck Rural Fire District
Statement of Net Position – Modified Cash Basis
December 31, 2021

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 1,654,775
Capital assets not being depreciated	282,363
Capital assets being depreciated, net	<u>1,515,711</u>
Total assets	<u>3,452,849</u>
Net Position	
Net investment in capital assets	1,798,074
Unrestricted	<u>1,654,775</u>
Total net position	<u>\$ 3,452,849</u>

Bismarck Rural Fire District
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) and Changes in Net Position
Primary Government			
Governmental activities			
Public safety	\$ 1,860,111	\$ 135,827	\$ (1,724,284)
Total primary government	\$ 1,860,111	\$ 135,827	(1,724,284)
General Revenues			
Property taxes			1,427,352
Insurance premium reimbursement			252,836
Investment earnings			7,629
Donations			3,865
Rental income			26,558
Miscellaneous			13,485
Total general revenues			1,731,725
Change in Net Position			7,441
Net Position, January 1, as restated, see Note 9			3,445,408
Net Position, End of Year			\$ 3,452,849

Bismarck Rural Fire District
Balance Sheet – Governmental Funds – Modified Cash Basis
December 31, 2021

	<u>General</u>
Assets	
Cash and cash equivalents	<u>\$ 1,654,775</u>
Total assets	<u><u>\$ 1,654,775</u></u>
Fund Balance	
Unassigned	<u>\$ 1,654,775</u>
Total fund balance	<u><u>\$ 1,654,775</u></u>

Bismarck Rural Fire District

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position –
 Modified Cash Basis
 December 31, 2021

Total Fund Balances for Governmental Funds	\$ 1,654,775
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Cost of capital assets	4,374,036
Accumulated depreciation	<u>(2,575,962)</u>
Net Position	<u>\$ 3,452,849</u>

Bismarck Rural Fire District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds –
Modified Cash Basis
Year Ended December 31, 2021

	General
Revenues	
Taxes	\$ 1,427,352
Interest	7,629
Grants	135,827
Insurance premium reimbursement	252,836
Donations	3,865
Rental income	26,558
Miscellaneous	13,485
Total revenues	1,867,552
Expenditures	
Public safety	
Labor	1,347,991
Insurance	42,172
Fire department	103,085
Repairs and maintenance	47,824
Utilities	24,942
Board expense	26,637
Professional fees	25,947
Miscellaneous	6,755
Capital outlay	403,448
Total expenditures	2,028,801
Net Change in Fund Balance	(161,249)
Fund Balance, January 1, as restated, see Note 9	1,816,024
Fund Balance, December 31	\$ 1,654,775

Bismarck Rural Fire District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance –
 Governmental Funds to the Statement of Activities – Modified Cash Basis
 Year Ended December 31, 2021

Net Change in Fund Balances - Governmental Funds	\$	(161,249)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are</p>		
Capital outlay	\$	403,448
Depreciation expense		(234,758)
		168,690
Change in Net Position of Governmental Activities	\$	7,441

Bismarck Rural Fire District
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
General Fund – Modified Cash Basis
Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance
Revenues			
Taxes	\$ 1,411,000	\$ 1,427,352	\$ 16,352
Interest	15,000	7,629	(7,371)
Grants	-	135,827	135,827
Insurance premium reimbursement	170,000	252,836	82,836
Donations	1,500	3,865	2,365
Rental income	-	26,558	26,558
Miscellaneous	9,200	13,485	4,285
Total revenues	<u>1,606,700</u>	<u>1,867,552</u>	<u>260,852</u>
Expenditures			
Public safety			
Labor	1,174,000	1,347,991	(173,991)
Insurance	31,400	42,172	(10,772)
Fire department	144,500	103,085	41,415
Repairs and maintenance	41,000	47,824	(6,824)
Utilities	26,200	24,942	1,258
Board expense	28,000	26,637	1,363
Professional fees	26,000	25,947	53
Miscellaneous	8,000	6,755	1,245
Capital outlay	129,000	403,448	(274,448)
Total expenditures	<u>1,608,100</u>	<u>2,028,801</u>	<u>(420,701)</u>
Excess of Revenues under Expenditures	<u>(1,400)</u>	<u>(161,249)</u>	<u>(159,849)</u>
Net Change in Fund Balance	<u>(1,400)</u>	<u>(161,249)</u>	<u>(159,849)</u>
Fund Balance, January 1, as restated, see Note 9	<u>1,816,024</u>	<u>1,816,024</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 1,814,624</u>	<u>\$ 1,654,775</u>	<u>\$ (159,849)</u>

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Bismarck Rural Fire District (the District) have been prepared in conformity with the modified cash basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The Bismarck Rural Fire District is governed by an elected 13-member board. In accordance with Governmental Accounting Standards Board, a reporting entity's financial statements should include all component-units. Based upon the criteria set forth, there are no component units to be included with the District as a reporting entity.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statement: The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Following is a list of the major funds:

Governmental Fund

General Fund: The General Fund is the general operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported on the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

In the fund financial statements, the governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenue and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. The budgets are prepared on a cash basis, which is not different from the modified cash basis. All annual appropriations lapse at year-end.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less.

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

Tax Revenues

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes. Taxes are collected by the county and remitted monthly to the entity.

Net Position Balances

The government-wide financial statements report information on all activities of the District. The statement of net position presents the following net asset classifications:

- Net investment in capital assets: This classification consists of capital assets, net of accumulated depreciation.
- Unrestricted net position: This classification consists of net position that does not meet the definition of the preceding category.

Capital Assets

Capital assets include land, property and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$500 more. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extended assets lives are not capitalized.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15-40 years
Buildings	39 years
Machinery and equipment	5-15 years

Capital assets not being depreciated include land. The District reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2021.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 7, is shown as additional information to the users of the financial statements.

Other Post-Employment Benefits

Other Post-Employment Benefits (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net OPEB liability is not reported under the modified cash basis of accounting, but the information disclosed in the OPEB footnote, Note 8, is shown as additional information to the users of the financial statements.

Note 2 - Deposits and Investments

The state statutes authorize political subdivisions to invest in bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress. The District is also authorized to invest in securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, certificates of deposit fully insured by the federal deposit insurance corporation or the state, and the obligations of the state. The District currently has not invested in any certificates of deposit or investments.

Credit Risk – The District does not have a formal policy that limits the amount the District may invest in any one issuer. In addition, the District does not have any investments for the year ended December 31, 2021.

Interest Rate Risk – The District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates.

Custodial and Concentration of Credit Risk

In the case of deposits and investments, there is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession on an outside party. All of the District's deposits are held by Dakota Community Bank. At December 31, 2021, the bank balance of the District's deposits was \$1,883,531. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining bank balance was covered by collateral held by the pledging bank in the District's name.

Note 3 - Legal Compliance - Budgets

The District secretary-treasurer, Fire Chief, and Financial Committee prepare an annual budget for the general fund. The budget is prepared by function and activity, and includes information on the past year, current year estimates, and requested appropriations for the next year. The legal level of budgetary control is at the fund level. The District's governing board holds a public hearing where any District taxpayer may testify in favor of or against any proposed disbursements or tax levies. After the budget hearing, the board adopts the final budget. The final budget is sent to the county auditor.

The budget may be amended during the year for any receipts and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10. At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance. The General Fund had expenditures exceeding appropriations of \$420,701 for the year ended December 31, 2021. These over expenditures were funded by revenues exceeding budget and existing fund balance.

Note 4 - Capital Assets

A summary of changes in capital assets for the year ended December 31, 2021 is as follows:

Governmental Activities

	Balance 12/31/20	Additions	Deletions	Balance 12/31/21
Capital assets, not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	-	267,363	-	267,363
Total capital assets not being depreciated	<u>15,000</u>	<u>267,363</u>	<u>-</u>	<u>282,363</u>
Capital assets, being depreciated				
Land improvements	194,361	-	-	194,361
Buildings	835,854	-	-	835,854
Machinery and equipment	2,925,373	136,085	-	3,061,458
Total capital assets being depreciated	<u>3,955,588</u>	<u>136,085</u>	<u>-</u>	<u>4,091,673</u>
Less accumulated depreciation for				
Land improvements	68,870	12,635	-	81,505
Buildings	373,099	18,885	-	391,984
Machinery and equipment	1,899,235	203,238	-	2,102,473
Total accumulated depreciation	<u>2,341,204</u>	<u>234,758</u>	<u>-</u>	<u>2,575,962</u>
Total capital assets being depreciated, net	<u>1,614,384</u>	<u>(98,673)</u>	<u>-</u>	<u>1,515,711</u>
Governmental type activity capital assets, net	<u>\$ 1,629,384</u>	<u>\$ 168,690</u>	<u>\$ -</u>	<u>\$ 1,798,074</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Public safety	<u>\$ 234,758</u>

Note 5 - Land Rental Agreement

The District executed a 15-year agreement with Midcontinent Communications for use of approximately 5,000 square feet of land. The agreement provides for annual rent of \$3,000 due January 1 of each year. Future minimum lease payments are as follows:

2022	\$ 3,000
2023	3,000
2024	3,000
2025	3,000
2026	3,000
2027-31	15,000
2032-36	<u>15,000</u>
Total	<u>\$ 45,000</u>

Note 6 - Risk Management

The Bismarck Rural Fire Department participates in the North Dakota Fire and Tornado Fund. The District pays an annual premium for the Fire and Tornado Fund to cover property damage to buildings and business personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period.

The Bismarck Rural Fire Department participates in the North Dakota Insurance Reserve Fund. The District pays an annual premium for the North Dakota Insurance Reserve Fund to cover \$2,000,000 for losses arising out of an alleged error or omission on the part of the firemen or the Board of Directors. This policy also includes a \$2,000,000 personal injury and property damage liability and coverage of \$574,247 for inland marine insurance.

The Bismarck Rural Fire Department participates in the North Dakota Worker's Compensation Bureau, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 7 - Pension Plan

North Dakota Public Employees Retirement System (Prior Main System Service System)

Bismarck Rural Fire District participates in the North Dakota Public Employees Retirement System (NDPERS) administered by the State of North Dakota. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the District reported a liability of \$201,607 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2021, the District's proportion was 1.216588 percent, which was a decrease of 0.220822 percent from its proportion measured as of June 30, 2019. The District's proportionate share of the net pension liability is not reported in financial statements shown under the modified cash basis of accounting.

For the year ended December 31, 2021, the District recognized pension expense of \$90,013. The District's deferred outflows of resources and deferred inflows of resources related to pensions is not reported in the financial statements shown under the modified cash basis of accounting.

Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7%, net of investment expenses
Cost-of-living adjustment	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30%	6.00%
International equity	21%	6.70%
Private equity	7%	9.50%
Domestic fixed income	23%	0.73%
International fixed income	0%	0.00%
Global real assets	19%	4.77%
Cash equivalents	0%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Employers' net pension liability (asset)	\$ 471,859	\$ 201,607	\$ (15,260)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

Note 8 - Other Post-Employment Benefits

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2021, the Employer reported a liability of \$38,188 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At July 1, 2021, the District's proportion was 0.068663 percent which was an increase of 0.011449 percent. The District's proportionate share of the net OPEB liability is not reported in financial statements shown under the modified cash basis of accounting.

For the year ended December 31, 2021, the District recognized OPEB expense of \$6,496. The District's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits is not reported in the financial statements shown under the modified cash basis of accounting.

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustment	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Core-Plus Fixed Income	40%	0.50%
International Equities	21%	6.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of July 1, 2021, calculated using the discount rate of 6.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease 5.50%	Current Discount 6.50%	1% Increase 7.50%
Net OPEB liability	\$ 56,638	\$ 38,188	\$ 22,577

Note 9 - Restatement

The District changed the method of accounting from modified accrual to a modified cash basis. This method was adopted to more accurately reflect how the District is managed.

	General	Governmental Activities
Net Position/Fund Balance - January 1, as previously reported	\$ 1,776,664	\$ 3,116,251
Restatement due to change in accounting method to modified cash basis of accounting	39,360	329,157
Net Position/Fund Balance - January 1, as restated	\$ 1,816,024	\$ 3,445,408



Supplementary Information
December 31, 2021

Bismarck Rural Fire District

Bismarck Rural Fire District
Schedules of Employer Pension Liability and Contributions
Year Ended December 31, 2021

Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

Pension Plan	Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
NDPERS	6/30/2015	0.398270%	\$ 270,817	\$ 354,808	76.33%	77.70%
NDPERS	6/30/2016	0.462960%	451,200	466,557	96.71%	71.10%
NDPERS	6/30/2017	0.478240%	768,689	488,211	157.45%	62.65%
NDPERS	6/30/2018	0.493450%	832,751	506,929	164.27%	63.53%
NDPERS	6/30/2019	1.437200%	170,923	579,073	29.52%	72.53%
NDPERS	6/30/2020	1.437410%	942,005	652,222	144.43%	49.44%
NDPERS	6/30/2021	1.216588%	201,607	748,609	26.93%	79.13%

Schedule of Employer's Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (a/d)
NDPERS	12/31/2015	\$ 26,951	\$ 26,951	\$ -	\$ 452,083	5.96%
NDPERS	12/31/2016	33,778	33,778	-	535,325	6.31%
NDPERS	12/31/2017	35,401	35,401	-	531,173	6.66%
NDPERS	12/31/2018	37,338	37,338	-	575,992	6.48%
NDPERS	12/31/2019	54,072	54,072	-	579,073	9.34%
NDPERS	12/31/2020	54,072	54,072	-	652,222	8.29%
NDPERS	12/31/2021	66,556	63,355	3,201	748,609	8.89%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present the information for those years for which information is available.

Schedule of Employer's Share of Net OPEB Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

Schedule of Employer's Share of Net OPEB Liability

OPEB Plan	Fiscal Year Ending	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Pension Liability (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
NDPERS	6/30/2018	0.053463%	\$ 42,106	\$ 585,004	7.20%	61.89%
NDPERS	6/30/2019	0.059169%	47,524	660,239	7.20%	63.13%
NDPERS	6/30/2020	0.057214%	48,128	652,222	7.38%	63.38%
NDPERS	6/30/2021	0.068663%	38,188	748,609	5.10%	76.63%

Schedule of Employer's Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

Schedule of Employer's Contributions - OPEB

OPEB Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered Payroll (d)	Contributions as a Percentage of Covered Payroll
NDPERS	12/31/2018	\$ 6,862	\$ 6,862	\$ -	\$ 598,462	1.15%
NDPERS	12/31/2019	7,679	7,075	604	660,239	1.07%
NDPERS	12/31/2020	7,662	8,190	(528)	652,222	1.26%
NDPERS	12/31/2021	9,002	7,362	1,640	748,609	0.98%

* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present the information for those years for which information is available.

Note 1- Employer Pension Liability and Contributions

Changes of Benefit Terms

The interest rate earned on member contributions decreased from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of Assumptions

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

Note 2- Employer OPEB Liability and Contributions

Changes of Benefit Terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of Assumptions

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Bismarck Rural Fire District
Bismarck, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Bismarck Rural Fire District (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated August 23, 2022. The statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2021-001, 2021-002, and 2021-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Bismarck Rural Fire District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
August 23, 2022

2021-001 – Preparation of Financial Statements
Material Weakness

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the District’s financial statements.

Cause – Due to cost and other considerations, the District has requested we draft the financial statements and related footnotes.

Effect – The disclosures in the financial statements could be incomplete.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of responsible officials – Due to cost constraints, the District will continue to have the auditors draft the financial statements and accompanying notes to the financial statements.

2021-002 – Segregation of Duties
Material Weakness

Condition – The District has a lack of segregation of duties in the cash receipt process due to limited staff.

Criteria – A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a cash receipt transaction from its inception to its completion.

Cause – Due to cost constraints and the limited size of staff, the District does not facilitate the segregation of duties in the cash receipt process or review and approval of journal entries necessary to achieve a low level of control risk.

Effect – Inadequate segregation of duties could adversely affect the District’s ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned function.

Recommendation – All accounting activity should continue to be reviewed by the Board of Directors.

View of responsible officials – Due to the size of our organization total segregation of duties is not possible but measures have been put into place such as the fire chief approving all invoices, the secretary then writes the checks and verifies invoices and then they are sent for the president or vice president to review and sign, they are returned to the secretary for second signature and finally the finance committee reviews all invoices as well as payroll, comparing them to the check stubs and reports. The finance committee also reviews bank statements and savings accounts before the approval of the treasurer’s report at the monthly board meetings.

2021-003 – Recording of Transactions
Material Weakness

Condition – We identified misstatements in the District’s financial statements causing us to propose significant audit adjustments.

Criteria – A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Cause – Due to cost and other considerations, the District has not trained personnel to make all of the necessary financial statement adjustments.

Effect – Inadequate internal controls over recording of transactions affects the District’s ability to detect misstatements in amounts that would be material in relation to the financial statements.

Recommendation – We recommend that all general ledger accounts are reconciled in a timely manner and adjustments made for any differences noted.

View of responsible officials – Due to size of our organization we do not have the personnel available with training to make these entries due to the cost and time that would be involved.